

**2007 MICHIGAN****SBT Allocation of Statutory Exemption, Standard Small Business Credit  
and Alternate Tax for Members of Controlled Groups**

Issued under authority of P.A. 228 of 1975. See instruction booklet for filing guidelines.

1. Name	2. Federal Employer Identification Number (FEIN) or TR Number
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**PART 1: MEMBER IDENTIFICATION** - Include all members with activity in Michigan whether or not the member is required to file an SBT annual return.

Member Name	Date Tax Year Ends	FEIN or TR Number	Organization Type*
3a.			
b.			
c.			

\*Organization Type - Individual, Partnership/LLC Partnership, Corporation, Estate or Trust, or Limited Liability Company - Corp.

**PART 2: STATUTORY EXEMPTION**

Member identification from Part 1

**4. ALLOCATED STATUTORY EXEMPTION**

Enter here and on the member's C-8043, line 8

a.	b.	c.	d. Total

**PART 3: ADJUSTED BUSINESS INCOME****Add columns a - c across. Enter total in column d.**

5. Business income from C-8000, line 11

6. Capital loss carryover or carryback from C-8000, line 21

7. Net operating loss carryover or carryback  
from C-8000, line 22

8a. Subtotal. Add lines 5, 6 and 7

8b. Prorated Subtotal. Calendar filers, enter amount from line 8a.  
Fiscal filers - See supplemental instructions9. Compensation and director fees of active shareholders  
from C-8000KC, line 610. Compensation and director fees of officers  
from C-8000KC, line 711. **Adjusted business income.** Add lines 8b-10. If line 11 col. d  
is negative, enter 0 on line 15, 100% on line 22, then continue

12. Gross receipts from C-8000, line 10a or 10b (whichever applies)


**Figure the tax using both the alternate (Part 4) and the standard (Part 5) method. Select the one that gives the lower tax after credit for the controlled group.****PART 4: ALTERNATE TAX FOR SMALL BUSINESSES**13. Tax After Investment Tax Credit from C-8000, line 44. If  
apportioned or allocated gross receipts are less than  
\$100,000, enter zero

14. Divide each column 13a-c by the total in column 13d

15. Multiply line 11d by 2% (.02). If negative, enter zero

16. ALTERNATE CREDIT: Subtract line 15 column d from line 13 column d

17a. Share of credit: Multiply line 16 column d by percentages  
on line 14, columns a-cb. Reduced credit: Multiply line 17a by reduced credit  
percent from table on page 2 of Form C-8000C18. Tax after alternate small business credit  
Subtract line 17a or b, whichever applies, from line 13

%	%	%	100%

**If combined gross receipts (annualized if short period return) exceed \$9,000,000, complete Parts 5, 6 and 7. Otherwise, complete Parts 5 and 7 only.****Continue on page 2.**

**PART 5: STANDARD SMALL BUSINESS CREDIT****Add columns a-c across. Enter total in column d.**

	a.	b.	c.	d. Total
19. Tax base from C-8000, line 32a or 32b (whichever applies)				
20. Tax base for credit. Multiply line 19 column d by 45% .....				
<b>If line 11 column d exceeds line 20, this credit cannot be taken. Skip line 21 and enter zero on line 22.</b>				
21. Income percentage. Divide line 11 column d by line 20 and multiply by 100 to find percentage .....				%
22. Credit percentage. Subtract line 21 from 100% .....				%
23. Tax After Investment Tax Credit from C-8000, line 44. If apportioned or allocated gross receipts are less than \$100,000, enter zero .....				
24a. Standard small business credit. Multiply line 23 by line 22				
b. Reduced credit. Multiply line 24a by reduced credit percent from table on page 2 of Form C-8000C .....				
25. Tax after standard small business credit. Subtract line 24a or b, whichever applies, from line 23 .....				

**If combined gross receipts (annualized if short period return) are greater than \$9,000,000 but not more than \$10,000,000 complete Part 6; if not, go to Part 7.**

**PART 6: REDUCTION BASED ON EXCESS GROSS RECEIPTS**

**Filers whose gross receipts (annualized if short period return) are greater than \$9,000,000, but not more than \$10,000,000, must complete this section.**

26. Gross receipts from Part 3, line 12 .....				
27. Excess gross receipts. Subtract \$9,000,000 from line 26 column d .....				
28. Excess percentage. Divide line 27 by \$1,000,000 .....				%
29. Allowable percentage. Subtract line 28 from 100% .....				%
30. Enter the tax before credits from line 13 or 23 .....				
31. Enter credit from line 17a or b or line 24a or b (whichever applies) .....				
32. Multiply line 31 by the percentage on line 29 .....				
33. Subtract line 32 from line 30. Enter here and on Part 7, line 34 or line 35, whichever applies .....				

**PART 7: ALTERNATE TAX OR TAX AFTER STANDARD SMALL BUSINESS CREDIT**

34. <b>Alternate Tax.</b> Enter the amount from line 18 or line 33, whichever applies, here and on each member's C-8000C, line 27 or C-8000, line 45 .....				
35. <b>Tax After Standard Small Business Credit.</b> Enter the amount from line 25 or line 33, whichever applies, here and on each member's C-8000C, line 27 or C-8000, line 45 .....				

# Instructions for C-8009, Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups

(Fiscal filers, see supplemental instructions on page 75)

**Purpose:** To supplement Form C-8000C, *SBT Credit for Small Businesses and Contribution Credits*, and Form C-8043, *SBT Statutory Exemption Schedule*, for members of controlled groups.

All controlled groups, including affiliated groups, controlled groups of corporations and entities under common control, must complete this schedule to allocate the statutory exemption and calculate the standard small business credit or alternate tax.

**Controlled groups** are affiliated groups of corporations as defined in the SBT Act or controlled groups of corporations as defined in the IRC, Section 1563.

An **affiliated group** is two or more corporations, one of which owns or controls, directly or indirectly, 80 percent or more of the capital stock of the other corporation(s) with voting rights.

**Entities under common control** are two or more trades or businesses, whether or not incorporated, under common control as defined in the IRS Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations. See RAB 1989-48 for further information.

An entity must be included in a controlled group if it was a member of the group for at least one half of the days of the entity's taxable year.

**Exception:** Groups of corporations that have received approval and are filing a consolidated SBT annual return do not need to file this schedule unless there are members of the controlled group not included in the consolidated filing.

If the group files a consolidated SBT return, compute the small business credit or alternate tax on a consolidated basis using Form C-8000C.

Controlled groups, as defined in the IRC, are not eligible for the standard small business credit or alternate tax unless the business activities of the entities are consolidated, whether or not a consolidated SBT return is filed. This means the gross receipts, adjusted business income and tax base of **all** members of the group must be combined to determine eligibility and to compute this credit.

Only members who have no activity in Michigan are excluded from this calculation.

If the combined gross receipts exceed \$10 million or the combined adjusted business income after loss adjustment exceeds \$475,000, or any one individual, partner, officer or shareholder, including corporate

shareholders, has allocated income after loss adjustment of more than \$115,000 from any one member of the group, the group is not eligible for the credit.

❶ **Note:** For purposes of computing the statutory exemption and the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership. For purposes of computing the statutory exemption only, a member of an LLC is treated as a shareholder if the LLC is taxed as a corporation. For the purpose of computing the small business credit, a member of an LLC with officer-like duties is treated as an officer if the LLC is taxed as a corporation.

If claiming either the alternate credit or the standard small business credit, each member must calculate its tax before credits on Form C-8000, *SBT Annual Return*.

❶ **Note:** If a taxpayer is a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' apportioned or allocated gross receipts on Form C-8010AGR, *SBT Adjusted Gross Receipts for Controlled Groups*, to determine if members of the group need to file. For this purpose, do not include members whose apportioned or allocated gross receipts are less than \$100,000, as these members are not required to file an SBT return. However, members whose apportioned or allocated gross receipts are less than \$100,000 must include their business activity when figuring the small business credit on Form C-8009. For these members, report "Tax After Investment Tax Credit" on lines 13 and 23 as zero.

**Attach a copy of this schedule** to each member's Form C-8000 claiming a statutory exemption, standard small business credit or alternate tax.

All members must choose the same credit calculation, either standard or alternate.

## Small Business Credit Eligibility

The standard small business credit and the alternate tax are **not** available to members of a controlled group if any of the following conditions exist:

- **Combined** gross receipts on line 12, column d, are over \$10 million.
- **Combined** adjusted business income on line 11, column d, minus loss adjustment, are over \$475,000.

- A member of the group is an individual (sole proprietor) or fiduciary with business income, minus loss adjustment, over \$115,000.
- A member of the group has a partner with distributive share of business income, minus loss adjustment, (member's C-8000KP, *SBT Schedule of Partners*, column E) over \$115,000, or
- A member of the group has a shareholder or officer with allocated income, minus loss adjustment, over \$115,000. Allocated income is computed on Form C-8000KC, *SBT Schedule of Shareholders and Officers*.

A reduction to the small business credit is required if an individual, a partner in a partnership or a shareholder or officer of a corporation has allocated income, after loss adjustment, between \$95,000 and \$115,000.

Where the allocated income, after loss adjustment, is between \$95,000 and \$115,000 for any member of a controlled group, the reduction percentage will apply to all members of the controlled group. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

**If a member of the group has a tax year less than 12 months**, gross receipts, adjusted business income and allocated income (corporations) and share of business income (non-corporations) must be annualized to determine eligibility and to compute the small business credit. Annualized allocated income must be used to determine the reduction percentage for the credit when allocated income is between \$95,000 and \$115,000 for any member of the group. If annualized gross receipts exceed \$9 million, but do not exceed \$10 million, complete Part 6. See page 7 for complete annualizing instructions.

**Loss Adjustment.** If a taxpayer is not eligible for the full small business credit or the alternate tax calculation due to an adjusted business income or allocated income disqualifier, there may be a benefit from Form 3307, *SBT Loss Adjustment Worksheet for the Small Business Credit*, on page 27. If adjusted business income was less than zero in any of the five years immediately preceding the tax year for which the taxpayer is claiming a credit and has received a small business credit for that same year, then adjust for the loss. The loss adjustment for adjusted business income purposes must be based on the group's combined numbers. However, since the disqualifiers for individual/partner/shareholder are made on an entity basis, a separate entity loss adjustment must be calculated for those purposes. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed \$9 million. It will

also not change the amount of compensation on Form C-8000KC, Column K, for a C Corporation.

## Controlled Groups That Have Members With Different Tax Years

Each member's business activities attributable to its tax year ending within the 2007 calendar year are consolidated on this form to allocate the statutory exemption and determine standard small business credit or alternate tax. **This determination cannot be made until the end of the latest tax year in the group.**

Members with earlier tax years may:

- Request an extension, or
- File the SBT returns without claiming either the statutory exemption or the small business credit.

Determine the exemption allocation and credit when the member having the latest year end completes their tax year. Other members must then amend their returns to claim any exemption or credit. The total credit cannot be allocated to the return with the latest year end.

## Line-By-Line Instructions

*Lines not listed are explained on the form.*

**Line 2, Account Number.** Enter the same account number used on page 1 of the annual return.

### PART 1: Member Identification.

**Line 3.** Enter in the appropriate column the name, year end, FEIN or TR Number and organization type of each member. When completing the rest of this form, use the lower case letter (e.g., a, b, c, etc.) to the left of each name to refer to a member. If more space is needed, attach a schedule identifying additional members with consecutive letters.

### PART 2: Statutory Exemption

One statutory exemption is allowed to a controlled group, affiliated group or a group of entities under common control. Allocate the exemption to members using any method agreeable to all members.

Members whose apportioned or allocated gross receipts are less than \$100,000 are not required to use any portion of the statutory exemption, but must include their business activity when figuring the small business credit.

Enter on line 4 the portion of the statutory exemption that is allocated to each member. Use the amount allocated to calculate the allowable exemption for each member on Form C-8043.

### **PART 3: Adjusted Business Income**

Business income is adjusted by loss carryforwards and carrybacks from Form C-8000, *Single Business Tax Annual Return*, and by compensation and director fees of active shareholders and officers from Form C-8000KC.

**Line 12, Gross Receipts.** Annualize for periods less than 12 months and enter annualized gross receipts on line 12.

### **PART 4: Alternate Tax for Small Businesses**

The alternate tax computation is a simplified way of computing the SBT while still allowing a small business credit. Calculate an alternate tax credit for the group. Each member's share of alternate credit is based on the ratio of its tax liability before credits to total combined tax liability before credits. Compute tax using both the alternate tax and the standard small business credit and file using the method that's most advantageous to the group. All members must use the same method.

**Line 17b, Reduced Credit.** If the allocated income after loss adjustment is more than \$95,000 but not more than \$115,000 for any member of a controlled group, multiply line 17a by the percentage from the Reduced Credit Table on page 24 and enter the result on line 17b. Allocated income must be annualized for tax years less than 12 months.

**Line 18, Tax After Alternate Small Business Credit.** Subtract line 17a or 17b, whichever is applicable, from line 13 and enter the result on line 18.

### **PART 5: Standard Small Business Credit**

Use this section to determine the group's standard small business credit. Calculate a combined credit percentage for the group. This percentage is then used to calculate each entity's standard small business credit.

**Line 24b, Reduced Credit.** If the allocated income after loss adjustment is more than \$95,000 but not more than \$115,000 for any member of the controlled group, enter the percentage from the Reduced Credit Table on page 24 and multiply line 24a by that amount. Enter the result on line 24b. Allocated income must be annualized for tax years less than 12 months.

**Line 25, Tax After Small Business Credit.** Subtract line 24a or 24b, whichever is applicable, from line 23 and enter the result on line 25.

### **PART 6: Reduction Based on Excess Gross Receipts**

Complete this section only if the combined gross receipts are more than \$9 million but not more than \$10 million. Annualize for tax periods less than 12 months and enter annualized gross receipts on line 26.

### **PART 7: Alternate Tax or Tax After Standard Small Business Credit**

If claiming contribution credits, enter this amount on Form C-8000C, line 27. If not, enter this amount on Form C-8000, line 45.

① **Remember:** The group must choose either the alternate tax or the standard small business credit. All members must use the same calculation.

*Attach this schedule to the return.*